

August 22, 1996

**To: Dave Wilmesher**

**Subject: Alternative Delivery Program / Partners Promotions**

Dear Dave,

As we've discussed, the program that is being used in California got our attention immediately when we were explained all the details. Our problem as you are aware, isn't the Membership clubs, it's the retailers in the Metro area that receive their cigarettes from Sub-Jobbers. Overall, our success in actually getting the retailer's partners promotions to the largest percentage stores, has been minimal at best. The problem continues to be once the direct account ships the Buy-Somes to the Sub-Jobbers, most of the product ends up being used by the Sub .... in most cases to get extra business. The end result is that a large number of our good retail partners never receive the special partners promotions.

Three weeks ago we contacted G.A. Andron and Co., Inc. to get information on their operation and to determine if they would be a viable option for delivering the partners promotions to the identified Sub-Jobber supplied stores. As information, Andron currently stamps and ships specialty cigarettes to all 50 states using RPS. They have been on direct with us for years, handling Export A product and recently stocking all 8 of the Moonlight brand families. They supply a line of products including Cigars, Pipe Tobacco and numerous cigarette brands such as American Spirit, Nat Sherman, etc. Andron is the only direct customer that we have that does not compete with any of our other Direct Accounts. Most importantly, they are currently set-up to deliver our promotions to any store using their normal COD procedure, and extremely willing to work a one promotion test with us.

**ANDRON / RPS Partners Promotion Delivery Test Information**

- Promotion:** Salem B2G2F (October Partners Promotion)
- Ship to retail:** October 7 - 11 (complete penetration in 1 week)
- Product arrives:** October 23, 1996 (169 cases / 6m)
- States in Test:** NJ, NY, CT, and NY city tax stamp

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- Retail stores:** 395 calls penetrated with this test  
(an increase of 90% vs. previous delivery method)
- Total displays:** 634 displays / 4 cartons of live product
- Region CIV:** 4.6% of region's total CIV
- Cost / store:** \$13.22 per store fully loaded (395 stores / \$5,222)
- Concerns that we initially had:**

- \* **Would Andron be able to stamp this quantity of cigarettes without hiring additional employee's for this test?** As Andron explained, they now have a tax stamp machine and have plenty labor available.
- \* **What happens if a store refuses the promotion?** The agreement and price from RPS includes up to three attempts to deliver. If after three delivery attempts and the store will not accept the promotion, it will be returned to Andron. We will then give Andron instructions on where the product will be shipped.
- \* **How will the Distributors react to this type of Delivery?** It's hard to tell, but I did personally explain our rationale to several of the NY Direct Accounts at the State Convention last weekend, and they understood our problem really voiced no big concern. Their only problem is will we eventually handle all promotions in this manner. I explained, this method will only be used if the Distributor / Sub-Jobber will not deliver to the proper store. Where things are working good, there's no reason to change.

Dave, we trust that this letter will give you a good idea of what this test is all about.. We honestly feel this program can produce excellent results with the selected retail stores involved. Long term, assuming that this works well, it will for the first time give us an option when a Direct Account or Sub-Jobber just simply refuses to work our program as designed. As the Andron test gets rolling, we'll definitely keep you updated on the results.

Sincerely,

Mark Young

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